



Regular Item
CITY OF AUSTIN
RECOMMENDATION FOR BOARD ACTION

AGENDA ITEM NO: 2
AGENDA DATE: 1/11/2007

Subject Approve the negotiation and execution of a loan to FOUNDATION COMMUNITIES, INC. Austin, Texas in compliance with applicable requirements and performance goals under the Rental Housing Development Assistance Program, in an amount not to exceed \$881,691 to assist in the renovation and conversion of the property located at 1212 West Ben White Boulevard into a 100-unit single-room-occupancy supportive rental housing facility for homeless and low-income individuals.

Amount and Source of Funding: Funding is available in the Fiscal Year 2006-2007 Austin Housing Finance Corporation budget allocation under the Rental Housing Development Assistance Program. It is anticipated that the transaction will be funded with City of Austin Housing Trust Funds.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information Paul Hilgers, Executive Director, Austin Housing Finance Corporation, 974-3108.

Prior Council Action. Zoning approved on April 27, 2006 by Ordinance No. 20060427-047.

Board/Commission Action AHFC Board authorized a Rental Housing Development Assistance program loan in the amount of \$1,118,309 for property acquisition on June 8, 2006.

In August 2006, Foundation Communities received a Rental Housing Development Assistance (RHDA) program loan for \$1,118,309 that assisted in the acquisition of the former Ramada Inn at 1212 West Ben White Boulevard for the development of Skyline Terrace, a 100-unit Single-Room-Occupancy (SRO) rental facility for homeless and low-income individuals. The RHDA loan enabled Foundation Communities to secure additional funding for the project from numerous other sources, primarily the Texas Department of Housing and Community Affairs (TDHCA) through federal Low-Income Housing Tax Credits (LIHTC's).

Since acquiring the property and completing pre-development work, the budget for the project has increased from the initial estimate of \$8,065,197 to a total of \$9,305,000. The increase is due to an expanded scope of work required to convert the existing hotel into a residential facility that includes individual units and common living and recreation areas for residents. The additional work includes increased site work related to the removal of the existing swimming pool and the addition of fencing, increased hard costs associated with equipping each unit's kitchenette with cook-top burners, increased costs to complete required ADA/accessibility improvements, and increased hard costs for the creation of an accessible lounge and terrace on the 7th floor of the facility.

To accommodate the increase in anticipated project costs, Foundation Communities has secured additional funding through TDHCA's LIHTC program, and additional grants and private funding from numerous other sources including the Enterprise Foundation, NeighborWorks America, Home Depot, and donations and contributions from local organizations and individuals. Foundation Communities is currently operating the hotel under the name of Oak Inn while preparing to convert the facility into Skyline Terrace, with completion anticipated in late 2007.

Once completed, the facility will serve individuals with yearly incomes not to exceed 50% of the Austin area's median family income (MFI - currently \$24,900 per year for a one-person household) at monthly rents of approximately \$320 per unit, or an amount not to exceed 30% of the resident's monthly income. Most residents will likely have yearly incomes of no more than 30% of MFI (currently \$14,950 per year for a one-person household). Foundation Communities is partnering with Caritas of Austin in an effort to obtain rent subsidies for at least 30 of the 100 units. The facility will be managed and operated on a daily basis by Foundation Communities with coordinated services from local agencies and organizations.

The project is proposed under the RHDA Program that provides federal and non-federal assistance as gap financing for the development of affordable rental housing for low- and moderate-income families and persons with special needs. The development of the project is subject to applicable RHDA program and environmental review, and fund release requirements. Revised estimated sources and uses of funds for the project are as follows:

<u>Sources</u>		<u>Uses</u>	
TDHCA LIHTCs	\$ 4,000,000	Predevelopment	\$ 163,000
TDHCA HOME CHDO	1,450,000	Acquisition	4,400,000
Federal Home Loan Bank-SF	750,000	Hard construction	2,702,300
Neighborhood Works America	350,000	Soft/carrying costs	639,700
Enterprise Foundation	50,000	Other/contingency costs	<u>1,400,000</u>
NW Home Depot	15,000	Total	\$ 9,305,000
Foundations/contributions/donations	690,000		
RHDA acquisition (previous)	1,118,309		
RHDA renovation (proposed)	<u>881,691</u>		
Total	\$ 9,305,000		

Performance measures associated with the project are as follows:

- Develop 100 SRO units affordable for homeless and low-income individuals
- Make a minimum of 10 units accessible for persons with mobility disabilities, and two units for persons with hearing and vision disabilities.
- Complete the project in accordance with applicable S M A R T Housing™ standards

Following approval, an RHDA program loan will be negotiated and executed with Foundation Communities, in an amount not to exceed \$881,691 for a term of 30 years at zero percent interest, or such other terms as determined necessary and appropriate to finance the project. Repayment of the loan will be deferred on a yearly basis for the duration of the 30-year period. Principal and interest will be forgiven at the end of the loan term contingent upon compliance with the loan agreement.

Foundation Communities is a 501(c)(3) non-profit organization established in 1984 and certified by the City of Austin as a Community Housing Development Organization (CHDO). Foundation Communities has developed and presently operates more than 1,300 units of affordable rental housing for low-income households in Austin. In addition, the organization provides numerous supportive services to low-income individuals and families in the community including community income-tax centers, after-school programs, financial management and education services, computer training, and employment counseling and referral.

In 2003, Foundation Communities completed Garden Terrace, an 85-unit SRO facility located at 1015 West William Cannon Drive. Foundation Communities recently completed the renovation and conversion of the former Hearthside Hotel at 7101 North IH-35 into Spring Terrace, a 140-unit SRO facility. The Spring Terrace property was purchased by the Austin Housing Finance Corporation (AHFC) in December 2005, and was subsequently leased to an affiliate of Foundation Communities that is responsible for managing and operating the facility. Upon completion of Skyline Terrace, Foundation Communities will

have developed and will be operating a total of 325 units of SRO supportive rental housing for homeless and low-income individuals in the Austin community

The requested funding is available in the Fiscal Year 2006-2007 budget allocation of the AHFC, and the request is consistent with the City of Austin's currently approved Consolidated Plan and the AHFC's strategy to provide assistance through below market rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs